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MEMORANDUM

TO: OFI Compliance Examiners and KRS 294 licensees

FROM: Gary Davis, Compliance Branch Manager

DATE: December 13, 2005

SUBJECT: Mortgage Examination Scheduling Policy

1. All licensees will be examined at least every eighteen to twenty-four months. Licensees that have had significant violations or complaints will be examined on a shorter cycle as necessary. New licensees should be examined approximately six months after opening.
2. Any licensee that has had two consecutive examinations with no significant violations noted shall be notified at least five business days prior to the next examination. Exceptions to this can be made due to other factors including written complaints or should this agency become aware of improper or illegal activities. Due to logistical concerns, out-of-state mortgage companies will be notified approximately 30 days prior to the scheduled examination.
3. Any licensee cited for significant violations on any examination, may be subject to unannounced examinations in the future. Significant violations include unregistered mortgage individuals, fraudulent activities, numerous RESPA violations, or any violation of KRS Chapter 294 that may result in refunds to customers.
4. Licensees that ask for and receive two delays to their examinations may be subject to unannounced examinations in the future.

5. New licensees may be subject to unannounced examinations for the first two examination cycles.
6. Licensees who fail to notify OFI of changes of phone numbers and/or addresses may be subject to an unannounced examination.
7. This agency reserves the right to randomly conduct unannounced checks for unregistered individuals. This is not a full scope examination. These checks are to be as unobtrusive as possible and should only take from fifteen to thirty minutes. The scope is to determine the names of the loan officers or originators present at the time of the check.
8. Each examiner's proposed quarterly examination schedule will be submitted to the Compliance District Manager thirty days in advance.
9. The examiner-in-charge will indicate each licensee's status for their next examination as "announced" or "un-announced" in the comments and conclusions section of each report of examination based on the findings of the examination and other contributing factors as outlined above.
10. Any exceptions to the above policy must be approved by the Compliance District Manager or Branch Manager.